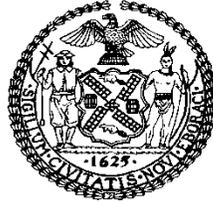


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THE COUNCIL OF THE CITY OF NEW YORK

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**COMMITTEE ON SMALL BUSINESS
Hon. Mark Gjonaj, Chair**

February 28, 2018

Oversight: SBS' Role Supporting Microbusinesses

INTRODUCTION

On February 28, 2018, the Committee on Small Business, chaired by Council Member Mark Gjonaj will hold an oversight hearing on the role that the Department of Small Business Services (SBS) has played in supporting microbusinesses. Invited witnesses include the Commissioner of Small Business Services, representatives of each of the 5 borough Chamber of Commerce, small businesses and other interested members of the public.

BACKGROUND

The Small Business Administration (SBA) defines “microbusiness” as a firm that has between one and nine employees. SBA has also found that microbusinesses are the most common kind of business firm and that they account for 75.3 percent of all private-sector employers.¹ Additionally, 62 percent of microbusinesses in the city are over five years old, and microbusinesses accounted for more than 20 percent of the job gains and job losses between 2000 and 2013.² The industries with the highest share of microbusinesses are finance, insurance, and real estate. According to the Center for an Urban Future (CUF), there are approximately 165,000 microbusinesses in New York City.³ Businesses with fewer than five employees also play a significant role in the city’s economy, accounting for more than 66.7 percent of the city’s private sector businesses.⁴ Across New York City, companies with fewer than 50 employees accounted for 97.7 percent of the growth in businesses between 2000 and 2013 and that over that same period, microbusinesses provided a net gain of more than 30,000 jobs.⁵ It is also worth

¹ Headd, Brian. "The Role of Microbusinesses in the Economy." February 2015. Accessed February 22, 2018. https://www.sba.gov/sites/default/files/Microbusinesses_in_the_Economy.pdf.

² Foggin, Mark. “Small Business Success.” November 2014. Accessed February 22 2018. Retrieved February 22, 2018, from <https://nycfuture.org/research/small-business-success>

³ Id.

⁴ Id.

⁵ Id.

noting that small businesses are common throughout the New York City metropolitan area, as more than 90 percent of businesses in tri-state area have fewer than 20 employees.

SERVICES PROVIDED BY SBS

According to its website, SBS “helps unlock economic potential and create economic security for all New Yorkers by connecting New Yorkers to good jobs, creating stronger businesses, and building thriving neighborhoods across the five boroughs.”⁶ SBS operates a number of programs designed to expedite the growth of small businesses. Services include free legal services to facilitate lease negotiations for businesses,⁷ seven NYC Business Solutions Centers (at least one in each borough),⁸ which help businesses scale up their operations, and the Industrial Commercial Abatement Program,⁹ which provides subcontracting opportunities within the construction industry.¹⁰

SBS reported a budget of \$191.7 million for Fiscal 2018, a 19 percent decrease from its \$236.4 million budget in Fiscal 2017.¹¹ For Fiscal Year (FY) 19, SBS spent 4 percent of its budget, or \$8.3 million on its “Economic & Financial Opportunity” program area, which funded the Minority and Women-Owned Enterprise (MWBE) program.¹² Its largest expenditure by percentage was Contract Services, which allocated \$81.2 million, or 42 percent of its budget, for contracts with not-for-profit and non-City agencies, such as the New York City Economic Development Corporation (NYCEDC), and NYC & Company.¹³

⁶ “About SBS.” Retrieved from <http://www1.nyc.gov/site/sbs/about/about.page>

⁷ “Small Business Services.” Retrieved February 22, 2018, from <http://www1.nyc.gov/site/sbs/index.page>

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ “Fiscal 2018 Executive Budget for Department of Small Business Services.” Retrieved February 23, 2018, from <http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/801-SBS-exec.pdf>

¹² Id.

¹³ Id.

Under the direction of the current mayoral administration, SBS has prioritized the growth of minority and women-owned businesses (M/WBEs), including imposing a number of goals for city contracting as they pertain to M/WBEs. These goals include awarding 30 percent of the value of City contracts to M/WBEs by 2021, awarding \$16 billion to M/WBEs by 2025, and certifying 9,000 M/WBEs by 2019.¹⁴ In March of 2017, the administration and SBS announced the Contract Financing Loan Fund, which allows M/WBEs to apply for low-interest contract financing loans of up to \$500,000.¹⁵ SBS has also emphasized mentorship programs. One SBS initiative that emphasizes this is “Strategic Steps for Growth” (SS4G), an executive business education program that provides firms with an opportunity to gain knowledge and experience through “an award-winning curriculum, peer-mentoring sessions, advice from business leaders and experts connecting with City and NYU procurement professionals.”¹⁶

OTHER RESOURCES

Moreover, small business owners have access to SCORE, a resource partner of the SBA, which has more than 10,000 expert business mentors and volunteers in 300 chapters, 12 of which are in New York City, with at least one in each borough. Finally, small businesses in New York City have access to eight Small Business Development Centers, which are funded by the SBA and located at CUNY institutions such as Baruch College, Lehman College, and York College, in addition to sites in Harlem, Long Island City, Staten Island, and at Pace University.¹⁷ Business owners can also access the resources of at least one chamber of commerce in each of the five

¹⁴ “De Blasio Administration Announces New Revolving Loan Fund To Help M/WBEs Gain Access To Capital.” (2017, March 23). Retrieved February 22, 2018, from <http://www1.nyc.gov/office-of-the-mayor/news/169-17/de-blasio-administration-new-revolving-loan-fund-help-m-wbes-gain-access-capital>

¹⁵ “De Blasio Administration Announces New Revolving Loan Fund To Help M/WBEs Gain Access To Capital.” (2017, March 23). Retrieved February 23, 2018, from <http://www1.nyc.gov/office-of-the-mayor/news/169-17/de-blasio-administration-new-revolving-loan-fund-help-m-wbes-gain-access-capital>

¹⁶ Strategic Steps for Growth (SS4G). Retrieved February 22, 2018, from <http://www1.nyc.gov/nyc-resources/service/2825/strategic-steps-for-growth-ss4g>

¹⁷ “New York SBDC Locations.” Retrieved February 23, 2018, from <http://www.nyssbdc.org/locations.html>

boroughs, and microfinance organizations like the Business Center for New Americans, Accion, and the Business Outreach Center

CHALLENGES AND OPPORTUNITIES FOR BUSINESSES

A study published by the office of the Manhattan Borough President found that there were a number of obstacles that businesses face that can make it difficult to survive and grow in New York City. These can include zoning and agency inspections. New York City’s Zoning Resolution, for example, can determine whether or not a business can operate in a given borough, and small business owners must comply with separate inspections and regulatory checklists from agencies that could include the Department of Consumer Affairs (DCA), the Department of Sanitation (DSNY), the Department of Transportation (DOT), and the Department of Health and Mental Hygiene (DOHMH).¹⁸ The imposition of the Commercial Rent Tax (CRT), a 3.9 percent surcharge on rents exceeding \$500,000 in Manhattan south of 96th street, is another cost for businesses to consider. In examining the businesses that expanded beyond their initial size, CUF highlighted the importance of technical assistance and peer-to-peer advice, which consists of “access to peers who had succeeded before them, or an expert who provided perspective on a specific challenge or opportunity – like preparing for a loan, navigating a permitting process, making their first managerial hire or weighing the pros and cons of investing in the automation of a key function.”¹⁹

CONCLUSION

With a highly dedicated workforce, a large population of potential consumers, and extensive transportation options throughout the region, New York City remains a popular

¹⁸ “Small Business, Big Impact: Expanding opportunity for Manhattan’s storefronters.” Retrieved February 22, 2018, from <http://manhattanbp.nyc.gov/downloads/pdf/SmallBusinessBigImpactFINAL.pdf>

¹⁹ Foggin, Mark. “Small Business Success.” November 2014. Accessed February 22 2018. Retrieved February 22, 2018, from <https://nycfuture.org/research/small-business-success>

location for entrepreneurs to start businesses. The Committee looks forward to hearing from the Administration about ways that SBS can continue to foster the growth and support the success of the local establishments that define the character of neighborhoods across the five boroughs.